

Hisaka Holdings

Company update

Neutral **Current Price** **S\$0.395**
30 September 2011**Fair Value** S\$0.45**Jacky Lee**
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Source: Bloomberg

Stock Statistics

Market Cap	S\$68.3m
52-HI	S\$0.52
52-LOW	S\$0.30
Avg Vol (1 yr)	3,233,230
Shares Outstanding	172.8m
Free Float	144.0m

Key Indicators

ROE 11F	15.8%
ROA 11F	13.8%
P/BK	1.46x
Net cash	S\$17m

Major Shareholders

U9 Investment Pte Ltd	16.7%
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Europe's economic woes overshadow the chip makers

Key factors are shaping the semiconductor industry's short-term outlook. Despite 2H being a traditionally stronger period for Hisaka, the Eurozone debt crisis and disappointing global economic data released recently is defeating the confidence of consumers. Additionally, the build-up on inventory and manufacturing overcapacity are expected to also negatively impact the demand for semiconductor equipment in 2011.

Gartner lowered revenue forecasts. Recently, Gartner revised its 2011 worldwide semiconductor revenue forecasts and said it will decline by 0.1% to US\$299bn due to a rapid fall in demand. Previously, Gartner had expected the industry to grow by 5.1% in 2011. According to the market research firm, PC's have slowed to 3.4% growth this year, compared to previous estimates of 9.5% growth. Another key market, mobile phones, has also slowed slightly with the expectation of 11.5% growth compared to 12.9% earlier.

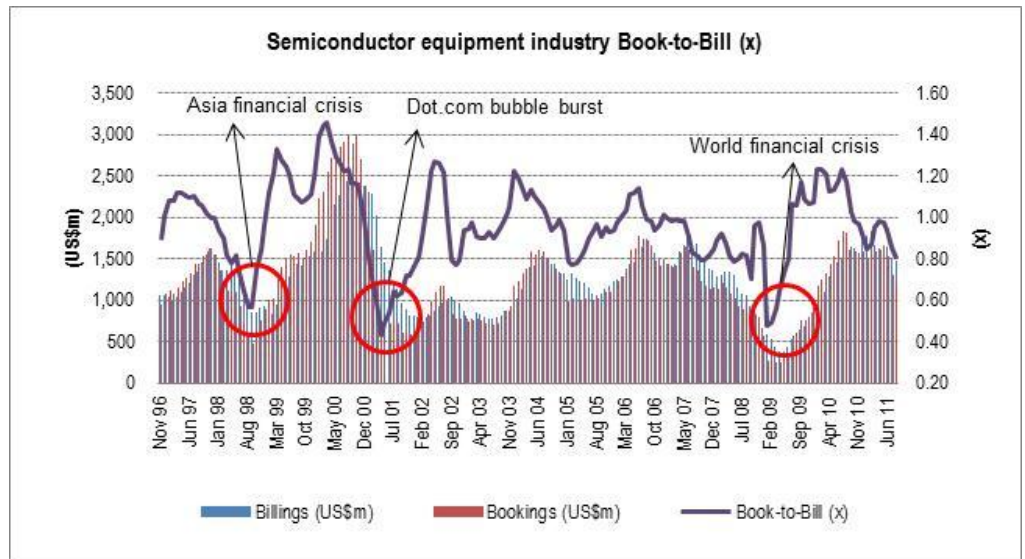
Disappointing Book-to-Bill ratio for semiconductor equipment in August 2011. North America-based manufacturers of semiconductor equipment posted US\$1.18bn in orders in August 2011 (three-month average basis) and a book-to-bill ratio of 0.80. According to SEMI, the weaker DRAM demand, foundry spending reductions and near-term uncertainties about electronics demand are reflected in declining sales trends for new semiconductor manufacturing equipment.

Downgrade to Neutral. Given the rapidly falling demand for IT consumer products and the weaker industry outlook, we have cut our FY11, FY12 and FY13 earnings by 32%, 28% and 27%, respectively. We also changed our target price based on 1.5x PBR FY09/12 from 8x PER FY09/12. As a result, our fair value has been lowered from S\$0.55 to S\$0.45, given the limited upside, we downgrade our recommendation to Neutral for the time being. However, given its strong balance sheet, we believe the dividend should be able to be maintained, translating to an attractive 4.5% yield.

Key Financial Data

(S\$ m, FYE Sep)	2009	2010	2011F	2012F	2013F
Sales	34.2	80.9	66.6	73.2	80.5
Gross Profit	6.3	17.9	13.4	15.4	16.9
Net Profit	0.7	9.3	6.5	8.5	9.5
EPS (cents)	0.4	5.4	3.8	5.0	5.6
EPS growth (%)	(81.6)	1,390.9	(28.5)	29.8	11.9
PER (x)	109.8	7.4	10.3	7.9	7.1
NTA/share (cents)	19.9	23.6	26.7	29.9	33.7
DPS (cents)	1.0	1.8	1.8	1.8	1.8
Div Yield (%)	2.5	4.4	4.5	4.5	4.5

Source: Company, NRA Capital estimates



Source: SEMI, only North America-based manufacturers of semiconductor equipment

Profit & Loss (S\$ m, FYE Sep)	2009	2010	2011F	2012F	2013F
Revenue	34.2	80.9	66.6	73.2	80.5
Operating expenses	(33.6)	(71.3)	(59.8)	(65.1)	(71.6)
EBITDA	0.6	9.6	6.8	8.1	8.9
Depreciation & amortisation	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)
EBIT	(0.0)	9.2	6.3	7.7	8.5
Net interest & invt income	0.6	(0.6)	(0.2)	0.3	0.3
Associates' contribution	0.4	1.5	1.8	2.2	2.6
Exceptional items	(0.0)	0.8	(0.1)	0.0	0.0
Pretax profit	0.9	10.9	7.8	10.2	11.4
Tax	(0.3)	(1.7)	(1.3)	(1.7)	(1.9)
Minority interests	0.0	0.1	0.1	0.1	0.1
Net profit	0.7	9.3	6.5	8.5	9.5
Wt. shares (m)	189.3	172.8	170.4	170.4	170.4
Shares at year-end (m)	189.3	172.8	170.4	170.4	170.4

Balance Sheet (S\$ m, as at Sep)	2009	2010	2011F	2012F	2013F
Fixed assets	2.6	2.4	2.1	1.9	1.7
Intangible assets	0.0	0.0	0.0	0.0	0.0
Other long-term assets	2.0	2.7	2.7	2.7	2.7
Total non-current assets	4.6	5.1	4.9	4.6	4.4
Cash and equivalents	15.1	16.4	19.6	20.0	24.1
Stocks	7.5	7.1	8.5	12.6	13.9
Trade debtors	14.9	23.3	19.8	21.8	24.0
Other current assets	2.2	2.0	1.9	2.1	2.3
Total current assets	39.7	48.8	49.8	56.5	64.2
Trade creditors	6.0	10.9	8.0	8.8	9.7
Short-term borrowings	0.0	0.0	0.0	0.0	0.0
Other current liabilities	0.5	1.9	1.0	1.2	1.4
Total current liabilities	6.4	12.9	9.0	10.0	11.0
Long-term borrowings	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.1	0.2	0.2	0.2	0.2
Total long-term liabilities	0.1	0.2	0.2	0.2	0.2
Shareholders' funds	37.7	40.8	45.5	51.0	57.5
Minority interests	0.1	0.0	(0.0)	(0.1)	(0.1)
NTA/share (S\$)	0.20	0.24	0.27	0.30	0.34
Total Assets	44.3	53.9	54.7	61.1	68.6
Total Liabilities + S'holders' funds	44.3	53.9	54.7	61.1	68.6

Cash Flow (S\$ m, FYE Sep)	2009	2010	2011F	2012F	2013F
Pretax profit	0.9	10.9	7.8	10.2	11.4
Depreciation & non-cash adjustments	0.1	(1.5)	2.1	(0.1)	(0.1)
Working capital changes	1.0	(1.6)	(0.9)	(5.4)	(2.6)
Cash tax paid	(0.9)	(0.4)	(1.8)	(0.9)	(1.1)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	1.2	7.4	7.2	3.8	7.5
Capex	(0.4)	(0.5)	(0.5)	(0.5)	(0.5)
Net investments & sale of FA	0.0	0.4	0.0	0.0	0.0
Others	0.3	0.1	0.0	0.0	0.0
Cash flow from investing	(0.1)	(0.0)	(0.5)	(0.5)	(0.5)
Debt raised/(repaid)	0.2	(0.0)	(0.0)	0.0	0.0
Equity raised/(repaid)	(1.4)	(4.1)	(0.5)	0.0	0.0
Dividends paid	(2.0)	(1.9)	(3.0)	(3.0)	(3.0)
Cash interest & others	(0.3)	0.0	(0.0)	(0.0)	(0.0)
Cash flow from financing	(3.5)	(6.0)	(3.6)	(3.0)	(3.0)
Change in cash	(2.4)	1.3	3.2	0.4	4.1
Change in net cash/(debt)	(2.6)	1.4	3.2	0.4	4.1
Ending net cash/(debt)	15.0	16.4	19.6	20.0	24.1

KEY RATIOS (FYE Sep)	2009	2010	2011F	2012F	2013F
Revenue growth (%)	(39.3)	136.7	(17.8)	10.0	10.0
EBITDA growth (%)	(86.9)	1,591.9	(29.5)	20.1	9.4
Pretax margins (%)	2.8	13.5	11.7	13.9	14.1
Net profit margins (%)	2.0	11.5	9.8	11.6	11.8
Interest cover (x)	119.6	991.0	2,881.7	2,043.1	2,078.0
Effective tax rates (%)	28.3	15.4	17.0	17.0	17.0
Net dividend payout (%)	278.0	32.6	45.9	35.3	31.6
Debtors turnover (days)	158.6	105.0	108.6	108.6	108.6
Stock turnover (days)	98.9	41.4	58.4	79.6	79.6
Creditors turnover (days)	63.5	49.4	43.8	43.8	43.8

Source: Company, NRA Capital Estimates

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